

## A B S T R A C T

Romanian social and public policy had so far no outstanding results. Several studies outlined either deficient policy design, or poor implementation. Despite the alarming conclusions of these studies, policy generators did not improve in strategy. The research below was initiated to investigate those structures allegedly responsible for policy evaluation within ministries as policy generators. Its purpose was to identify in the organisational chart the specified structures and to pinpoint their functional and methodological performance. The scrutiny focused on determining the boundaries of the evaluation process, namely to ascertain if the evaluation process is taking place during policy design, within the implementation period, or post-factum, to assess the evaluation process per se and the use of its results

The research report below is identifying key issues in Romanian social policy as an introduction to the "in-house evaluation", which considered four of the ministries, i.e. the health, labour, education and youth related policy initiators. The introduction is designed to acquaint the reader with the particulars of social policy in Romania, as well as to give an overview of the main meanings of the policy evaluation process. The main part of the research is investigating the evaluative structures and details the findings within each of the four ministries investigated. A third part is presenting evaluation models performed on social policy in North America and Western Europe, from an economic perspective.

Sadly, its conclusions pinpoint to the fact that only some ministries have an evaluative structure, more often associated to / incorporated in other departments; the evaluation process is virtually non-existent. No formal evaluation of the policy per-se is done. Some programs though, mainly those financed from external sources get the benefit of a post-factum evaluation, on a restricted form, mainly a cost-benefit analysis designed to establish efficiency but with little insight on effectiveness. Moreover, the results of such evaluations are of very little use in future policy design.

In the absence of future real systematic policy evaluation that will actively contribute to its improvement, Romanian social policy will continue to be a faint safety net providing for those who fell out the economic circuit, with very little chances of becoming an efficient and effective tool for social improvement.

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**I. WHY DOESN'T IT WORK?. ISSUES IN ROMANIAN SOCIAL POLICY****1. Introduction**

It is generally believed that enough research will tend to support one's theory on a subject matter. The facts displayed here are the findings of a research project funded by the Romanian Academic Society, which allowed an in-depth investigation of the evaluation process of Romanian social policy. The theory was that besides the "good policy - bad policy" design dispute and rather poor implementation structures, what Romanian social policy really lacked was a constructive evaluation process.

This research started from the assumption that a complex system that does not function is invariably found to have evolved from a simple system that initially performed well. It is equally true that whenever a system is completely defined, "someone" discovers "something" which either abolishes the system or expands it beyond recognition. In such a case social innovations tend to the level of minimum tolerable well being. This is what happened from chronological perspective -- an imported social policy could not meet the needs of the host country, no matter how much "adaptation" was performed on it.

A full account of Romanian social policy is not necessary for the purpose of this paper, since so many well-known research reports have been

written on the subject.<sup>1</sup> Therefore, this paper is only analyzing the causes that determined its directions, and circumstances or actions (rather counter-actions) which generated its malfunction, and later on, the transformations performed on the original system - through evaluation, as to adjust it to the specific social environment. It is intended as a review of the major causes that lead to the current state of affairs in Romanian social policy.

From a theoretical standpoint any study in this field can focus on either policy design analysis - from a sociological perspective - or policy evaluation - as result assessment.

A policy evaluation study can be divided into analyzing the design itself or the implementation methods and infrastructure - thus identifying the causes and mechanisms that created its results.

As far as Romania is concerned, policy design was a rather peculiar concept. It is already obvious that the social policy of the communist government was rather a mechanism of social control than a premise for a welfare state. Beyond this, its effects are very well seen today, for it created a dependency on the provisions of the state rather than training and allowing individuals to act freely for their own well-being.<sup>2</sup>

In the "transition process", one can distinguish three different stages of policy reform.

The first steps taken after 1990 circumscribed to the so-called "repairing phase". An increase in funds for the social protection of different underprivileged categories was all that was obtained in this period, with no significant policy change.

The second phase began with the first elected government in 1992. At this point it was decided which imported trend and model of public policies was "most appropriate" to the societal needs. Politically, economically, and socially speaking, the reform had to be "global", yet its development was sectorial. The fact that the "transition" became chaos is due to the

<sup>1</sup> ROSE, R. - "Who Needs Social Protection In Eastern Europe; A Constrained Empirical Analysis of Romania", in RINGEN, S., and WALLACE, C., eds. "Societies in Transition: East-Central Europe Today", CEU Publications, 1993; also BARR, N. - "Labor Markets And Social Policy In Central And Eastern Europe, The Transition And Beyond", World Bank Publications, 1994; DEACON, B. ed. - "Social Policy, Social Justice And Citizenship In Eastern Europe" Ashgate Publishing Company, Brookfield, 1992; DEACON, B., and SZALAI, J. eds. - "Social Policy In The New Eastern Europe", Aldershot, Gover Publishing Company, Brookfield, 1990; McAULEY, A. - "The Economic Transition in Eastern Europe: Employment, Income Distribution and the Social Security Net", Oxford Review of Economic Policy, nr. 4/1991; \* \* \* "Romania: Human Resources And The Transition To A Market Economy", World Bank, Washington, D.C., 1994; plus articles in almost every issue of Romanian Social Research Journal, Bucharest, 1994-2000.

<sup>2</sup> In this respect, a series of recent surveys detected a tendency to define the socialist system rather by the welfare provisions, overlooking its ideological assertions. Associating socialism with welfare generated a "nostalgic" attitude and therefore a resistance to change. This generates distrust for institutions and professionals -- briefly creates ways of perceiving social environment as hostile. All these effects are a real hindrance to the normal development of a social policy process.

lack of coherence between structural change and policy change. Justification could not replace efficiency. The lack of synchronization in planning and developing the reform led to a vacuum of social protection, and a general confusion between the role of the social policy and the role of the free market, due to the fact that the state retreated faster from its social functions than from its economic ones.

Meanwhile, the system faced a crisis, of the means, not of goals. The social policy reform program concentrated primarily on directions and purposes while postponing the implementation strategies (if not policies per se), and totally neglecting the evaluation of the results.<sup>3</sup> Moreover, it was altered by political and economic constraints: the guidelines from international organisms, (IMF, WB), the "mob power", (culminating with the use of social policy as a tool of political legitimization), the limitations imposed by the GDP and its fiscal administration (R. Rose, *op.cit.*). All these proved the unsustainability of the policy generated by social needs, namely by the effects of the reform<sup>4</sup>.

Naturally, all these have had a logical sequential development. The first phase was indeed very prolific in defining a juridical environment for a new social policy to take shape, unfortunately starting from the wrong premises: trying to implement effects and not causes, it became a passive social policy. The purpose was the state intervention in the configuration of social processes and the creation of mechanisms to direct this reform process towards the socially acceptable level. Its objective was the promotion of public welfare and social development in the sphere of public services, as defense, health, education, and social security (social insurance system and social assistance system). Its provisions proved to be only corrective not incentive. It is almost impossible to improve public welfare without output growth in productive sectors, yet economic growth and rising living standards are unsustainable without effective and affordable policy in social sectors. To solve the paradox the input in labor market was needed, i.e., restoring the macroeconomic balance and improving the efficiency of resource allocation.

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<sup>3</sup> a very illustrative example can be found in the **Romanian Social Research Journal**, no 1/1995. The Ministry of Health, consulting the medical community and international organisms proposes a package of measures designed to reform the public health system and obtained resources from the state budget and a substantial loan from the World Bank. The rhythm of implementing the reform and the loan maturities were not synchronized, due to the infrastructure inefficiency. Thus, the loan was paid back, the interest rate and the penalty for non-used funds as well. The social costs generated by the lack of reform implementation plus the financial costs have had a negative effect on the whole social system and each individual.

<sup>4</sup> Usually the concept of **need** generates vivid debate as to what should be considered or dismissed as need. It was not the case for Romania, since it was not defined in the provisions of policy, but estimated periodically as a link between poverty rate and eligibility to benefits. Actually, recent data show a massive impoverishment, with more than 30% of the population having an income below the defined survival threshold.

At that point, the state was the only actor involved in regulating, financing and providing social services, and this was not a matter of political choice, but rather of the power vacuum created. Moreover, the social system inherited was in a rather bad shape: social sectors underfunded, with a deteriorating infrastructure and declining human capital. During the first years social sector expenditures were low as share of GDP and amounted only to 25% of total government spending, but rising to 41% of total public expenditures by the end of the mandate, measure followed also by populist socio-economic policies, detrimental at large. By the end of 1996 the Romanian economy was in a fairly bad shape too, and unable to generate the revenue to sustain an adequate social policy. Faint attempts were made to transform it into an active policy by delegating authority from central to local level, allowing NGOs to perform professional re-conversion and training cycles, allowing health professionals to have private practice, same for a few schools and universities, yet without any incentive. The market has no important role to play yet in social insurance, apart from a few insurance companies whose services are a faint imitation of what they should be.

The third phase began once a new government took over at the end of 1996, with a new program encompassing drastic measures to reform the economic and judicial environment. In the general frenzy social policy was left apart. Soon after implementing the first measures of economic re-structuralization the mass pressure has brought the attention to the need of restructuring social policy as well. Budgets assigned were smaller than in previous years, yet with a more judicious allocation.

The worst is yet to come: 10% for social security, paying for social insurance, social assistance, and universal benefits. From this, more than 90% in payment of pensions and other retirement benefits, where the ratio active population/retired is 1.5/1. Following the economic re-structuration program more than 11% of the active population are already unemployed.<sup>5</sup> Social protection measures provide unemployment benefits for 9 months and social assistance benefits for another 18 months, while transfers in cash doubled in amount in comparison with the previous year. Apart from the rising rate of unemployment due to economic re-structuration the figure is increased by virtue of law and distortion of incentives. First of all, the legislation regarding the social protection of the unemployed had so many alterations that it does not resemble anymore with the initial project. Most of the modifications were made under unions' pressure or by nearing elections. The fact that one can be considered unemployed after ending an

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<sup>5</sup> this figure is very relative, since it was calculated taking into account only those unemployed registered as receiving benefits. This leaves out all those who are not registered at all, all those who circumscribe to long term unemployment - out of the benefit scheme already - and on the other hand all those who are

educational cycle<sup>6</sup>, the so called "technical unemployment"<sup>7</sup>, the fact that unemployed are not obliged to actively search for work<sup>8</sup>, the fact that most of them already work in the underground economy<sup>9</sup>, are real incentives to stay unemployed. Thus, unemployment is a state of facts, not a process. Moreover, in the procedure understood as maintaining macroeconomic balance by sustaining already bankrupt industries (with the additional purpose of avoiding the potential social conflict generated by reform) social protection was created by economic agents instead of being transferred to the state<sup>10</sup>, thus sacrificing the principles of efficiency, of both economics and social policy.

At this point it might be important to notice that the unemployment in its present Romanian form creates a new form of consumerism. Addition to welfare provisions (as the last resort for those who are no longer able to compete on the labor market) seems to be created by a vicious circle: the state is not able to produce and administer a welfare system, yet it re-creates the need for one. It is the point where economics and politics are in severe contradiction: is it a matter of economics (generating the revenue and redistributing it - while gaining from the transfer), or is it a political decision (marketing ideologies and using social policy provisions as political legitimization tools)? If so, how can one explain the discrepancy between the planned short-term revenue and long-term planned policies? Is the protection of entitlements the goal or the effect of this type of social policy? At this point, one would argue that economics is rather subordinated to politics.

As Romania moves to a market economy, the share of social sector spending in government expenditure will continue to rise. On the one hand due to the fact that other expenditures will decline as the government scales back its role in the economy, on the other hand because relative prices associated with economic transition will increase in value terms, since inputs used in service delivery were subsidized or accounted for at artificially low prices<sup>11</sup>.

Moreover, the social need reason is not the last: demographically, Romanian population is aging and therefore the demand for social insurance benefits and health care linked transfers will increase. Due to the difficulties the population is facing the state of health deteriorated and

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registered as unemployed but active on the underground economy, the so-called black labor market.

<sup>6</sup> namely freshly trained professionals, graduates, Law nr. 87/1992

<sup>7</sup> i.e. a paid leave of absence if the firm cannot give you anything to do for the moment, Law nr. 1/1991 and 22/1996

<sup>8</sup> Law nr. 72/1991

<sup>9</sup> 35.45% of GDP in underground economy, according to a source from the Finance Ministry

<sup>10</sup> the employees of those enterprises were artificially maintained as active labor force or in determined periods of "technical unemployment", with the specific purpose of avoiding social conflicts by their redundancy. In those cases, their payment came as salaries and not unemployment benefits.

chronic illness has an important role to play in the morbidity and mortality indicators - this implies not only health care provisions but also disability benefits. Business cycles, unavoidable in a market economy, will cause household incomes to fluctuate and will enhance the requirement for social assistance programs. No matter the standpoint one is taking in facing the problem, there are good chances that expenditure will increase to sustain transfers in kind or in cash.

The issue here is whether Romania has the potential resources to meet these needs. Despite all odds, a new policy strategy is considered. Maintaining macroeconomic balance and regulating market forces to reduce excessive size of state sector and avoid fiscal crisis came as first priority. Launched as process, social policy issues rise, for several reasons. First came the perception that the past economic and social policy was a slow way to a less painful death. It became obvious that drastic measures were needed and that standards of life would decrease before getting any better, and that this process would not happen over night but it would take years of deprivation. "Austerity budgets" became the statements of the day. The priority given to different policy actions was determined in terms of what can be afforded in the short-run, given the limitations of both financial resources and implementation capacity. For the first time we witnessed policy shifts from passive to active. The most important issues concerned wages and employment, managing unemployment, social insurance education, health, and lastly, family support and social assistance. For each of these issues short and medium term policies were defined. It all looks as copied from a social policy textbook. What is wrong with it? Let us take them sequential, as introduced above.

The essence of labor market reform, given the extensive process of economic reform, is to stabilize macroeconomic balance and survive the fiscal crisis, in order to avoid skyrocketing inflation. This means that the state will continue to intervene in labor markets, with an income policy to help contain the price of labor and an employment policy to minimize the decline in demand. It can be done only by means of a new fiscal policy: an active incentive for employers on the one hand, and for employees on the other hand<sup>12</sup>. The problem is that this wage policy has to be followed by all sorts of compensations, in order to adjust the differences in the scarcity in payment of different types of labor, given that the wages are not completely defined by the market, namely by the rule of supply and demand. The question is therefore whether to allow an acute rise in unemployment as part of the effort of wage containment or not, in which case it either encourages the formation of new private enterprises or

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<sup>11</sup> such as medical supplies, salaries in health and educational sector, etc.

<sup>12</sup> At present in Romania it is more advantageous (leaving apart social status or individual aspirations) in the short-run to be unemployed than to have it poorly paid honest job.



gives way to mass protest and trade-union pressures, both of them entailing potential massive public expenditure, apart from social costs. Playing by the rule would mean to avoid generalized support and create selective criteria, something that stands very little chance to be implemented in Romania, due to the cultural environment and a peculiar understanding of democracy as the state intervention in creating "equal chances". The adequate response would be an active labor policy, anticipating massive layoffs and shortening their duration. The anticipatory function is a relatively easy task (given adequate network backup), since economic re-structuralization is following a very well defined plan for almost all state-run enterprises: to be re-technologies, to be sold-out to private investors, or to be liquidated. Reducing the duration of unemployment is also possible, with the condition of active policies. First of all, these would involve fiscal policy to generate an incentive for the employers to officially hire and train personnel. Secondly, social insurance policy with real incentives for active-job search (and penalties for not doing so) and re-training programs for the unemployed whose jobs are no longer needed on the market or have little value.

## **2. What is wrong with it?**

The value of work depreciated so much, in terms of social importance, as well as price that no policy would compensate for that.

The newly designed policy which creates fiscal incentives for private companies to employ newly graduates and released personnel (resulted from the massive layoffs in industry) is hardly a solution, since its financing is from the state budget. Had the fiscal policy provided tax deduction instead of financing, the outcome could have been different.

Moreover, the "social protection" provisions involve a "compensation" to be given to the unemployed resulted from the infra-structural changes in industrial environment. How long before these people can be trained into a normal labor-market relationship?

The social security system, conceived as the compound of social insurance and social assistance, system of income transfers or cash benefits, is the most difficult part to reform, mainly in the conditions of the drastic decline of the living standard. On the one hand it has to protect households from crossing the poverty line by redistributing income, while the contributions to the insurance funds are not significant at the time of the occurrence of a specific contingency (becoming unemployed or retired). On the other hand an income test - with no contribution test - would define as eligible far more individuals than it is prepared to support given its budget and infrastructure. For the time being it all goes as it was. What is wrong with it? It requires short-run fiscal savings and

sophisticated financial regulatory framework and huge administrative capacity. Procedures to determine eligibility, the level of entitlement, the forms that have to be filled in triplicate and papers to be shifted from one office to another, interminable lines generated by poor administration are just a few of the drawbacks. For a more appropriate picture one should consider the widening income distributions, the rising unemployment, the decline in output, benefits poorly targeted, allowing waste and fraud, an aging population, apart from a mentality that the state and the enterprise are responsible for the individual's well-being.

The new project regarding a social insurance law has the advantage of being a burden to the state budget and, in the meantime, a fairly inefficient system of rewarding a lifetime work or "compensating" structural changes. A single system of "public pensions and other social insurance rights" is organized and guaranteed by the state. This will integrate all the existing systems and will comprise by virtue of the law all individuals within the labor market. Thus, the provisions of the new law will cover normal (age-limit) pensions, early retirement pensions, disability pensions, survivor's benefits as well as short-term social insurance provisions, such as: temporary disability benefits, sick leave, maternity benefits and child care allowance, nursing fee, etc.

Both employees and employers will pay the contribution. For the unemployed the contribution will be drawn from the unemployment benefit funds. The quota will be established annually and differentiated by field of activity. The National Social Insurance House and local services as autonomous institutions will implement its administration. The immediate advantage of this act is the decentralization in social policy and the attempt to terminate universal benefits, placing greater emphasis on *forms of aid* rather than on *entitlements*. If it is to be efficient it has though to be followed by the creation of a social security net allowing a state-civil mix or a state-civil and market sector mix, and to concentrate not only on already disadvantaged groups.

Education policy did not benefit from much of a change in the actual social policy. It has a fair percentage of GDP to continue within the same parameters. Some changes will however affect the system, namely a better adaptation of education to the needs of labor market, emphasis on graduation from humanities and those technical curricula needed better scholarship programs, and campus facilities. A campaign has been launched for the introduction of state universities in minorities' mother tongue. So far nothing about incentives for private education centers, apart from state recognition, in a fairly laborious process.

Health policy encompasses measures to promote and preserve good health, to provide and finance health care. The legacy of universal and comprehensive coverage is impaired by insufficient financing without

consideration whatsoever to the costs for the entire economy. While in the state run hospital network and ambulatory facilities health care is freely distributed and financed through general revenues, pharmaceutical supplies are subjected to the free market and inevitably resulted in a cost explosion. Investments in acute care facilities were made at the expense of primary and preventive care. However, more effective approaches to public health and disease prevention are launched - national campaigns to reduce alcoholism, smoking and drug-abuse, programs of public training in hygiene, family planning, safe sex, etc. - most of it coming from NGOs, well provided for by governmental policy.

It is important to notice that no radical change in the health care system was planned on the short-term, budgets were carefully planned as to avoid shutting down critical public health services, as maternal care and immunization; emergency departments and intensive care units were sustained. Medium term incentives for private practice (improving efficiency and consumer choice), wage control policy for health professionals<sup>13</sup> (capitation payments for general practitioners, outcome - based reimbursement for specialist services), case-mix adjusted budgets for hospitals, are to be expected.

Once this account is accomplished<sup>14</sup> one can obviously conclude that the policy does not work because in its attempt to achieve effects by virtue of implementing a policy designed for another society it overlooks that cause is to be produced first. It totally overlooked the type of society and its premises. Therefore, the effort of implementation faces three types of challenges (Barr, 1994): economic, political and administrative, exactly the ones ignored as assumptions in our case.

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<sup>13</sup> one of the poorest paid profession in Romania today, followed closely by academics and researchers.

<sup>14</sup> It is obvious that not all the provisions of the welfare state were mentioned. However, I found very interesting to describe the example that confirmed the rule: housing policy was the most vivid example of unsustainable provision and the perfect illustration of what happens to a policy provision dictated by nearing elections. During the last six years no change has been made in the socialist housing policy, which continued to exist only on paper, for in fact no construction was going on, and therefore no allocation granted. On the eve of 1996 elections the ex-government issued two laws: one for the restitution of nationalized real estate properties and the other for low interest subsidized bank loans for building or buying real estate. From our point of view, the second is important. Over-mediatized, it had a tremendous popularity. When it became active, it was a complete failure. First of all due to the conditions of eligibility, then because the state was incapable to generate the revenue to sustain the subsidy. In order to become eligible, individuals had to prove: marital status: married (what happens to those who are single, widowed, divorced or not-married couples?, age: maximum 30 both partners (what happens to those who are already 31?), no previous ownership of real estate property (to avoid fraud, I presume), a bank deposit of minimum 30% of the requested loan (in this case who needs the loan?), and income statement to prove that earnings can cover the double of the payment plus interest. A simple computation can lead to the astonishing result that in order to be eligible for a subsidized loan in amount large enough to buy an apartment one needs to contract a convenience marriage, to have a life time savings by the age of 30, and the salary of a prime minister. In the end the revenue needed to cover the subsidy (the difference between the normal interest rate and the 15% a.p.r. to be paid by the

From the economic standpoint it is obvious that the state cannot generate the revenue to be redistributed. Fiscal constraint is one of the most important drawbacks to the implementation of the policy and it needs no further analysis in the present paper, although it might be useful to see what is the way out. The main incentives for activities that generate lesser need for welfare are fiscal provisions, but in the meantime the budget subjected to redistribution is generated by revenue from taxation and contribution to specific insurance funds. Moreover, it has been stated before, social policy can go only as far as the GDP and its fiscal administration goes. A more efficient re-distribution might be a good answer for the financial issue, but it has to start with the very definition of need, of the real role of public funds in financing the costs of transition, of the difference between welfare state and welfare society.

Political issues arising are extremely complicated. First due to the factors stemming from the absence of political tradition and virtually no professional politicians experienced in democratic resolutions. Decisions were taken by following policy examples or by marketing ideas to the electorate. The balance of power between executive and legislative is still poor and it took seven years to convert small interest groups into significant parties or consensus fragments able to sustain a program of reform. Another factor is the use of social policy as a tool to legitimate political power. Used with moderate settlements and improvements at every "street claim", unable to understand radical decisions, masses can easily turn into a disruptive "mob" demanding the withdrawal of the government unable to provide for their existence and satisfy their demands<sup>15</sup>. It has happened several times and it will continue to happen, since it works<sup>16</sup>.

From administrative standpoint, to name them shortcomings is a mild term. The entire network that is supposed to implement the provisions of social policy, be they in kind or in cash, is obsolete. Understaffed, underpaid, poorly organized and harassed by both those to whom it should respond, without a law to state the statute of public employee, the

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contractor - ) could not be produced by the state and the whole provision, although active, could not become operative.

<sup>15</sup> Starting from the assumption that we are not discussing basic civil rights, social rights as defined by the group who is strong enough to impose them, neither by conflict of organized interests, but rather by citizens expectations which were generated by politics and failed to be fulfilled by economics.

<sup>16</sup> A rather peculiar phenomenon was going on in 1996: after the presentation of the governmental reform program, a very well mediatised campaign followed, explaining the social costs of the reform, the massive redundancy to follow, the fact that is going to be worst before it is going to be any better. The media campaign was followed by a survey whose results showed clearly that the majority of the population understands and agrees with the program, understands and agrees with "tightening belts" for the next years. Moreover, recent evaluations showed that the situation is not as drastic as anticipated. However, the results were made public at the end of February, but by the end of March disapproval begun, culminating in April with mass protests addressed to the government and its reform program. It is still unclear whether the survey was wrong or social policy measures designed to alleviate the brutal impact were late. The dramatic consequence of this was that in

administrative network is a real detrimental experience. In building a new social policy an effective public administration is essential - for it is the first contact with those whose needs it should meet. The sum of those judgments will determine the base of political support for the reform. It is something that was understood only after seven years, and designing an able, motivated and effective service was only now conceived. Yet, inherited bureaucracies are difficult to change, not as much in administration but in mentality rather. The role of implementing policy handed down from above cannot be shifted into an advisory one, in which case it could help shaping a policy so that it could be easily administered. In these conditions, policy is designed without endorsement of how is it going to be implemented and is implemented regardless of its efficiency and goal-achievement.

### **3. Why is it failing?**

First, on account of its instability. Still in its "repairing phase", trying to bring corrections to a system developed (or rather destroyed) for over 15 years, it shifts from one provision to another under mass pressure or political interest. The paradox is that in order to maintain the reform program, it ends up giving away bit by bit all that has accomplished so far. In its transitional form, actual social policy is based on imported elements, in an incomplete configuration, for it has only looked at the results obtained and did not consider the structural network involved in developing it. Overlooking the very foundation of a social policy, namely a proper juridical regulation, an adequate infrastructure and associated state budget availability, it was confronted with severe difficulties.

Secondly, because it overlooked the relationship between individual and group, from the perspective of the role, status and contract, the offer of the group to the individual, as well as the individual's offer to the group.

Given a proper delimitation between the role of the welfare state and the role of the civil society would enable the accomplishment of the actual complementarity trend, in which transfers in cash are state responsibility, while transfers in kind become more and more a societal responsibility. A possible way out for the Romanian welfare system, apart from mending whatever is wrong in the design or implementation of social policy, is now only a question of social contract.

Thirdly, the social policy did provide so far active assistance neither for prevention, nor for re-socialization or professional integration of those groups committed to welfare. This is a major impediment in implementing the process, as well as an uneven possibility of diminishing the social

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this manner whatever was achieved in this short period was given away in order to legitimate political claims.

consequences of addiction to welfare. And last but not least, the state fails to recognize its own incapacity of support an expensive welfare enterprise and does not bring any incentive to the private one, while continuously generating and re-producing the welfare need. Failing to provide funding for the economic re-structuration, it creates tremendous social costs, at the expense of both state and individual. Failing to invest in personnel training and network reorganization, it increases its expenses, in a vicious circle, by paying increasing social benefits and pensions.

These issues are a direct result of an improper evaluation structure, within the policy design and its implementation. So far policy programs have had no coherent evaluation process, neither in design, nor in implementation. An evaluation in design has not ended once the goals are defined and instruments found as to reach the objective. An evaluation in implementation is not complete with the definition of infrastructure, assignment of target-oriented procedures and a summary check-up of system functionality.

Again, the issues here not being the quality of the policy itself, or the failures of various implementation procedures, let us focus on the evaluation process within.

When launching a specific policy several criteria have to be considered: the need, the protection offered, the costs, the service offered and accessibility, the side effects. From this perspective, a specific policy can be analyzed in terms of "efficiency", "effectiveness", "implementation" and "utility"<sup>17</sup>. According to these criteria, during the policy design stage or in its implementation stage and afterwards, each performance can be evaluated. Thus, the efficiency factor can be described by the cost-benefits analysis,<sup>18</sup> as a relation between the costs of administrating the system and the potential benefits of the proposed goal; the effectiveness of the policy can be measured in terms of the impact (Pal, op.cit.), the degree of inequality suppressed (Zamfir, op.cit.), - although inequity would be a fairer term notwithstanding the Gini coefficient; the implementation evaluation can be looked at in terms of the process itself, but also at the infrastructure involved - which is inadequate most of the times; last but not least, the utility, measured in terms of performance, namely the quality of service, the accessibility, versus negative side-effects.

Since not all criteria above are quantifiable, concentrating on measured efficiency gives a distorted picture. Thus, focusing on the number of individuals targeted instead of the quality of the service provided, the last will be underestimated. Generally, the costs are easier quantifiable than benefits, especially in long-term policies. In this case, efficiency becomes a chase to reduce costs (Wilding, 1992). Side-effects are never

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<sup>17</sup> **PAL, L.A.** - *Public Policy Research Design and Writing: Overview*, Summer Institute in Public Policies paper, September 2000

<sup>18</sup> **ZAMFIR, C.** - *Social Policies: Romania in European context*, Ed. Alternative, Bucuresti, 1999

quantifiable. One cannot measure the responsibility degree induced in the general population, or the laissez-faire degree of a whole population of welfare addicts.

Thus, the dilemma of evaluating social policy by objective criteria, or value criteria was created.

There are performance criteria that have to be considered. Such criteria involve the costs of system administration, the necessary economic resources to reach an objective (how much does it really reach the beneficiaries and how much is spent on sustaining the infrastructure that delivers the service). The system efficiency is analyzed by following the ratio between the costs of a specific service and its quality and quantity. (measured by failure\risk indicators). Another important aspect is the political sustainability. Any social policy can be used as political legitimization tool, but also can backfire if it reaches only a segment of the population when paid for by the whole. Internal and international coherence criteria (Zamfir, 1995) circumscribes here - if a certain social policy is intended to reach a specific target segment, in concordance with the political priority or interest statement, to reach international desirability or to create transnational consensus.

Within the frame of these theoretical considerations, this study aims to identify any evaluative structure in policy issuing authorities (if any), and the methods used in the evaluation process. The hypotheses being that no formal evaluation takes place - except for maybe the cost/benefit analysis during the policy design and elaboration process- all feedback is rather an elaborated form of national gossip than a real research result of well established policy evaluation structures.

The report below is the result of an investigation in several ministries as policy generators, benchmarking the input, the research involved and the elaboration process, its output and implementation, and finally evaluation (if any) and feed-back mechanism.

## **II. HOW IT REALLY WORKS. THE "IN-HOUSE "EVALUATION FOR SOCIAL POLICIES MINISTRIES**

The purpose of the study presented below was to establish the function of alleged policy evaluation departments within a few ministries as policy generators. The investigation followed a specific pattern. Specific departments were identified in the organizational chart, its functionality and methodology investigated through an interview with the key person, following an interview guide. The study aims to identify the way policy evaluation is employed in the sphere of social policy. Since this is an unexplored area in the study of Romanian administration, we had to rely on

primary sources: official literature and interviews. We decided to interview those closest involved with the evaluation activity. We have therefore focused on the most senior civil servant dealing with this issue - the actual rank depending on the rank of the department dealing with evaluation (direction, service etc). The definition of social policy is not straightforward, neither is the decision in the area of which governmental department it falls in. However, since we were mostly concerned with evaluation technique rather than with social policy per se, we restricted the area of the study to the uncontroversial choices among the cabinet level departments: Health, Education, Labour and Youth. In each case we have processed information on the activity and recent priorities of the department, in order to gauge the scope for evaluation, and we identified the locus of evaluation activity within the organisational chart of the department. The interviews have been unstructured, but we used an interview guide (see annex), insisting on the institutional aspects of evaluation (how powerful the evaluation office is, how large and well trained the staff is), what methodology is employed, and what role does evaluation reports play in policy decision making in the department. The interviews have been performed by Bogdan Chiritoiu (Departments of Health and Youth), and Dan Suciuc (Departments of Education and Labour). However they followed the same pattern. Below we present the main findings in each of the four cases investigated. First we present some background information on the activity of the department. Then we discuss its internal organisation and what office is responsible for evaluation. Finally we present the findings from the interview. We conclude the chapter with a few overall conclusions on the state and prognosis for policy evaluation in Romanian administration.

## **1. Evaluation within the Ministry of Health**

### 1.1 Overview

The Ministry of Health used to directly own and manage most of the health facilities, and employ the health professionals (as was the case in all socialist countries, and somehow similar to what the situation used to be in the British National Health Service).

Since 1997, the Romanian health system is moving towards a regional social insurance model. Accordingly, many of the tasks previously performed by the Ministry of Health and its decentralised units (the County Public Health Departments) have been transferred to the National and County Health Funds, respectively. These new institutions have also taken over part of the staff of the Ministry. Social insurance is a hypothecated tax system, and is based on the separation between purchasers and providers. The Health



Funds are the purchasers of health services from the providers - health institutions and professionals - whom they contract<sup>19</sup>.

However, the Ministry still preserves a number of important functions, concerning the supervision of the health system, the formulation of the frame contract (prescribing the services provided by suppliers and their prices), and the management of the 'national programmes'.

*Activity during 1998 - 2000 period*

According to official documents (Ministry of Health, 2000), the main objectives of the Ministry of Health for the period after the passing of the health social insurance law have been:

1. Completion of health legislation;
2. Implementation of the Law 145/1997 regarding the social health insurance;
3. Decentralization, as a way to ensure the institutional reform;
4. Privatization of health institutions and consolidation of private care in primary and ambulatory medical assistance;
5. Guaranteeing the access of population to health services;
6. The implementation of the new institutional structure, in order to provide a better and efficacious public medical care sector;
7. To accomplish a modern efficacious organizational structure for hospitals and other medical units with beds;
8. Guaranteeing the financial basis of health care institutions, based on performance and on the evaluation of the activity employing the cost / benefit criterion;
9. Guaranteeing a prompt and efficient system for quality control of the medical services;

During the period, the implementation of the system of social health insurance had brought up the health sector funding with more than 50%.

The implementation of social insurance law (145/1997) was made possible through the approval of a government emergency ordinance (O.U.G. 30/1998), which provided for the appointment of the management of National and County Houses of Social Health Insurance (the official name of the health funds) by the three social partners: government (central or regional), trade unions and employers.

1. Completion of health legislation

The norms for the application of law 100/1998 on health assistance were elaborated and approved by ministerial order. DSPs (county Public Health Departments) supervise the preventive and curative health services and monitor the health providers. The Government Emergency Ordinance - OU 124/1999 provided for the reorganization of surgeries, and allowed renting

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<sup>19</sup> For more details, see Chiritoiu, Bogdan, 'Reforming Romanian Health: Too Little, Too Late', Romanian Journal of Liberal Arts, no. 1, 1999

of some facilities and their medical equipment. The whole primary medical care and 70% of ambulatory specialist care facilities were privatized this way. Hospital ambulatories were established, what created the possibility for the hospital physicians to provide ambulatory specialist medical care. The 33 national programmes were redefined, establishing the way to accomplish them, the responsibilities for them and the different ways of funding them. The legislation regarding the work of the National Drug Agency was also completed. Additional legislation changes regard the patent for pharmaceuticals, the licensing of drug production and distribution units, and the pharmaceutical inspection activity.

2. The implementation of law 145/1997 on health social insurance enabled the health system reform.

The way of funding health services and the stakeholder relationships within the system were delimited. Contractual relations were established between these partners. They are: the taxpayers (employees and employers), the insurance houses (the fund management), and the medical service providers.

3. The decentralization of health services

The insurance law has opened the possibilities of decentralization for primary medical care (family doctors, different forms of ambulatory specialist medical assistance). The process was advanced through the law 100/1998 on the reorganization of health assistance.

4. The privatization of health institutions and the consolidation of private care in primary and ambulatory medical assistance;

The privatization of the ambulatory units was completed based on government ordinance OG 124/1999. Nowadays there are private medical cabinets, polyclinics and diagnosis and cure centres. Started in 1992, the privatization of pharmaceuticals whole sale and retail (pharmacies) distribution was accomplished.

5. Guaranteeing the access of population to health services

There has been little progress in the area of access to health services. Access to health services depends on a number of factors, including the availability of quality services in the area, but also the 'medical culture' of the population. The availability of services did not improve in the under-privileged areas due to lack of interest from doctors to serve in these areas and lack of effort from the local health funds to offer extra-incentives to mitigate this. The ministry is interested in training mediators specialised in the communication with the Roma community, with a view to increasing their participation in the social insurance scheme.

6. The implementation of the new institutional structure, in order to provide a better and efficacious public medical care sector

Preventive medicine has two great objectives:

1. promotion of healthy living;
2. prevention and early diagnosis;

The national programmes aimed at these 2 objectives. One of the successes has been recorded in the diagnosis of diabetes, but a number of problem areas persist, as is the case with AIDS.

7. Accomplish a modern efficacious organizational structure for hospitals and other medical units with beds;

The Health Ministry set up "The National Committee for Hospital Licenses". However, it could not complete its activity till now. The Ministry provided technical and organizational support for the committee to pursue its activity.

8. Guaranteeing the financial basis of health care institutions, based on performance and on the evaluation of the activity employing the cost / benefit criterion;

The private medical units, from the primary medical care and ambulatory specialist assistance, with legal personality, are funded based on individual contracts or global budgets. The hospitals are funding more than 90% by contracts between them and the County Houses of Social Health Insurance.

9. Guaranteeing a prompt and efficient system for quality control of the medical services

The quality of medical assistance is assessed by a complex evaluation method, covering a diversity of medical services, based on national and international standards. The Romanian Medical College, according to the law 74/1995, should elaborate the evaluation criteria.

### 1.2 Organisation

The Ministry of Health<sup>20</sup> has 238 posts in its scheme, including the political appointees (dignitaries and their personal advisers). The organisational charta of the department is annexed. A few more political structures report directly to the Secretary of State (the official Romanian title for the cabinet level position is Minister, while the title Secretary of State or Deputy Minister designates the junior minister). The staff list also includes a junior minister, a secretary general (the top civil servant), and their cabinets.

The technical activity of the ministry is organized in a number of departments, some of them grouped in general departments. There are departments or general departments for: preventive medicine, communicable diseases, health inspection, pharmaceutical policy, medical assistance, medical technology.

There is also the General Department of Health System Policy, that includes the Department of Relations with the County Health Insurance Houses, and also the Department of Strategy, Development and Management of Resources. In the latter is where evaluation of health policy is supposed to take place.

### 1.3 Evaluation of health policy

In spite of the ambitious rhetoric, and the abundance of programmes that encompass the activity of the ministry, evaluation seems to be non-existent in the wider activity of the ministry. There are however plans to implement some evaluation methods. The Department of Management plans to introduce personnel evaluation, while policy evaluation proper does not appear to be contemplated. It is however difficult to predict if and when this is going to happen.

The exception is represented by the programmes funded with the help of the World Bank. For this type of programmes there is a well-defined evaluation methodology, provided for in the official accord between the signatory parties.

The World Bank has been involved in the Romanian health system reform since the beginning of the 90s, it provided consulting and assistance for the elaboration and implementation of the reform strategy of the Romanian medical system. The programmes of the Ministry of Health with the World Bank started in 1992, when the first unit of programme management was created in partnership with the Bank. Currently, the programmes with the World Bank represent approximately 10% of the yearly budget of the Ministry.

The office for the relations with the World Bank has also been created then. Following the last re-organization of the ministry (brought about by the change of government in December 2000), under direct supervision of the state secretary (junior minister), is placed the Direction for Privatization and Relations with Foreign Investors, which includes the Management Unit of the World Bank programme (separate, but still part of the Ministry).

The initiative for the projects enjoying the support of the World Bank comes from the Ministry of Health. Negotiations then begin between World Bank and the Ministry. After the project has been clearly defined,

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<sup>20</sup> The new government installed in December 2000 has re-named the department as the Ministry of Health and Family. A new organisational charta is being prepared, but

the loan conditions are negotiated with the experts of the Ministry of Finance, the institution to which the loan is granted. The final stage consists of the government approval, the conditions of the project becoming law. After this stage is completed, the Bank grants the loan.

Within these negotiations the monitoring and result indicators are settled. The evaluation criteria employed in the World Bank projects consist of process / monitoring indicators, result indicators and sectorial performance indicators.

Each Programme Management Unit (PMU) contains two members who are responsible for programme monitoring. Although these persons do not possess academic qualifications or special training for evaluation work, they are civil servants in the Ministry of Health and have acquired experience in this type of work. In addition, the Bank may hire from time to time its own external evaluators.

A rather rough criterion employed in programme monitoring by the World Bank is the ability to spend the loan in the planned schedule. An evaluation of a World Bank programme is conducted half way through the programme. For exemplification, within the 1992 project in partnership with the World Bank, an evaluation was conducted at mid-term. The evaluation has concluded that certain goals could not be achieved or that some projects had been either overvalued or undervalued. This conclusion led to a reconsideration of the programme and therefore to a redistribution of funds.

However, altering the initial terms of the programme is not straightforward. Provided that changes are necessary in the initial project, these are established through talks between the experts of Ministry of Health and those of the Ministry of Finance. The only involvement of World Bank in these talks is that it makes sure that the initial object is not altered. If it is decided that changes are necessary, a government decision to include those changes is issued.

An exemplification of the methodology used in the World Bank programmes is provided by the case of the 1995 programme on the rehabilitation of rural clinics. A number of ten clinics have been selected in each county according to certain criteria, including the size of population who had access in these clinics. The Bank dealt with supplying performant medical equipment, while the Romanian government undertook the task of physically rehabilitating the sanitary units and building apartments for the doctors in these areas.

At the end of the programme a comparison was conducted between the rehabilitated and the non-rehabilitated clinics. The variables according to which the comparison was conducted included the number of consultations, and the number of transfers to higher units (ambulatory or hospital).

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it was not finalized at the time of writing.

Even with the limited information we had access to, we can conclude that the World Bank programmes employ a rather elaborated methodology for project evaluation. However, this practice did not spill over in the main activity of the Ministry of Health.

## **2. Evaluation in the Ministry of Youth and Sports**

### 2.1 Overview

The Ministry of Youth and Sports was established in 1990 as a copy of the counterpart ministry in France. It was the first governmental structure in the field of sport that Romania had. The Ministry of Sport was set in the structure of the Romanian Government on the 28<sup>th</sup> December 1989. In 1991, the Ministry of Sport became the Ministry of Youth and Sport (MTS): concerning the legal foundations of the organisation and function of the Ministry of Youth and Sports, the final act was approved by the government on January 5, 2001.

#### *Youth Activity*

The activity of MTS is separated in two large directions: youth activity and sport activity.

For the first segment, youth activity, a number of programmes have been developed since 1997. Among these are: medical education, civil and religious education, ecological education, partnership, cultural education, alternative education, international relations, consulting and information, community development, youth events.

For 2000 at national level there were scheduled to develop 20 programs.

In addition, the Centre for Studies and Research on Youth Problems aims to build and to administrate certain data bases about youth situation and its dynamism. It provides scientific grounding, as well as assistance and estimates for the programs that the Youth Department of MTS develops. At the present time, the main research areas for the Centre include: civil and political participation of young people, labour market for youth, young people in situations of social risk, leisure and sport activities, youth legislation.

The Department for Bilateral Relations had as the main activity between 1999 and 2000 the relation with The Hungarian Ministry of Youth. Another active department of the Ministry is the Agency for European Co-operation in the Youth Field.

The Information and Consulting Centre for Youth - INFOTIN is the department which provides young people with information through its data base. It offers legal consulting, psychological consulting, web hosting services, among other services.

## 2.2 Organisation

In its internal structure, two main departments function: the Youth General Department, and the Sport General Department. Each are supervised by a junior minister (officially called Secretary of State). There are another four departments, which report directly to the General Secretary of the Ministry (the top civil servant): General Department of International Relations, Economic Department, Department of Human Resources, Contentious and Secretariat and the Department of Patrimony and Investments.

The maximal number of employees, who are working in the central structures of the Ministry, is 140. This number includes the political appointees.

Except for the central structure, the Ministry co-ordinates decentralised agencies: the Youth and Sport County Departments.

Other youth related agencies under the supervision of MTS are:

- the Agency for European Co-operation in the Field of Youth
- INFOTIN - the Youth Information and Consulting Centre
- The Centre for Studies and Research on Youth Problems - the only such institution in Romania.

The Youth General Department consists of two General Departments: Programmes Department and Syntheses and Evaluation Department. The latter includes an Evaluation Office.

## 2.3 Evaluation of youth policy

The Direction for Syntheses and Evaluation has existed as an autonomous structure within the Ministry of Youth and Sports since the beginning of the 90s, and all programmes of the ministry are subject to an evaluation process. However, the department has a weak institutional position. The personnel of the department numbers only four people. Like most of the civil servants of the ministry, they do not have a particular training for their specific job.

Until 1993, the Ministry of Youth and Sports centrally co-ordinated the youth activity of the whole country. By establishing the County Directions of Youth and Sports (DJTS) and by allowing them a certain degree of autonomy, the activity concerning youth was strongly decentralised. Thus, establishing the County Direction of Youth and Sports enabled the projects of smaller organisations in the country to receive funding with less difficulty. The central structure of MTS was left in charge of the large national programmes, to set the trend for youth policy in Romania.

MTS seldom offers funding centrally. Funding is generally granted through DJTS. The youth component of the MTS budget is allocated as follows: 80% goes to DJTS, 20% remains to the Ministry. At county level the division is somewhat similar: thus, 20% goes to DJTS programmes and 80% as

grants to independent organisation projects. The 80% that go to projects initiated by independent organisations are divided between the 13-14 national frame projects, according to the degree of interest they enjoy in the county. Therefore, another condition for an NGO to receive funding from DJTS is to qualify for one of these frame programmes.

Although at the beginning of each political term the new Minister introduces some initiatives, the programmes have stayed mostly the same throughout the nineties. With regard to shifts within a national programme, these can occur at the initiative of the programme manager. None of these changes appear to have been influenced by evaluations of running programmes.

The approval process for any project is quite an elaborated one. It requires four sanctions: that of the director of the relevant youth department (depending on the programme), of the Economic Department, of the State Secretary and of the Minister. Again, the evaluation (of past activities) does not appear to have played a major role in any of these stages.

Actually, at the end of any project there is an evaluation, conducted by an assessor (one of the employees of the respective DJTS). However, this is a formal evaluation. The criteria taken into consideration are whether the activity took place in the specified conditions (number of participants, period), and whether the budget was respected. There is no evaluation of the impact of the project or of its cost-benefit value. A report is done following the spending of the money that was granted, and this evaluation will be taken into account in considering the next funding application from the respective association.

At the beginning of the 1990s, when the MTS activity was not fully decentralized, each DJTS used to send at the end of each year files containing the records of programmes accomplished in the respective county throughout the year. These records had an assessor's recommendation as appendage. The decisions on the frame programmes for the following year were influenced by the results obtained from the analysis of these records.

Another type of evaluation within MTS is that of frame programmes. Once every three months, DJTS report a summary of the projects they funded, and in which frame programme they fit in.

The Ministry of Finance requires an evaluation of the activity of MTS, requiring data on cost-efficiency and indicators of performance. However, these reports seem to be filed only formally, and whatever use do they have for the Ministry of Finance, they do not influence the allocation of resources within MTS.

For example, budgetary allocations within the ministry among the different counties employ as criteria: the amount spent in previous year, the percentage of young people in the county, existence of university



centres, percent of young people involved in a form of education, population of the county. Again, the impact, and performance of the previous activity does not figure as a formalised criterion.

In conclusion, as suggested by the above description, although the Youth General Department of MTS does have a structure apparently specialized on evaluation, it performs only a very limited activity in this field. The only formal evaluations conducted concern process indicators, like adherence to the draft of the project and to the budget. There are no impact or cost-benefit analysis. Moreover, expected impact or cost-benefit estimates do not play any role in the funding decisions in the ministry. To the extent they play any role, it is through an implicit and unformalised procedure. In addition, the only formalised evaluation process to guide the strategy of the ministry appeared to be the demand for funding on certain type of projects coming from NGOs.

*Conclusions and recommendations:*

The proper evaluation plays a modest role in policy design in the Youth General Department of MTS. The main causes for this situation are:

1. Numerically reduced personnel - only four persons serve the Department for Evaluation of the Youth General Department; the personnel in the county offices (DJTS) is also very small, and they cannot devote resources to evaluation;
2. Lack of specialized training - both of the people of the Evaluation Department and of those from the DJTS;
3. Lack of specialized structures in counties (if within the central structure of MTS there is an apparently specialized department in this direction, such departments are missing in the case of a DJTS); and especially
4. Lack of political will, probably resulting from lack of understanding what policy evaluation is, and what its role could be.

**3. Evaluation in the Labor and Social Solidarity Ministry.**

3.1 Overview

By the governmental decree 4/2001, the Labor and Social Protection Ministry has been reorganized into the Labor and Social Solidarity Ministry. The change concerns mainly the name, not the functions. It was not a deep structure reorganization, when the Government was changed in November 2000, as the ministry remained a very important institution.

Two major changes were put into practice though, changes that had been planned but only reached maturity with the new organization. They

meant de-centralizing the activities involving the ministry. Thus, the The National Social Insurance House and Social Security Rights as well as the National Agency of Employment and Professional Training have become public autonomous institutions, which are subordinated to the Ministry's management as their two presidents are Secretary of State within the ministry.

*The functions and the organization of the ministry.*

Subsequently, an important part of the ministry's traditional functions - coordinating the pension system, the programs against the unemployment as well as managing the employment strategies - have become the agencies' responsibility. The ministry only offers the administrative and legislative support for the activity of the two institutions.

The ministry's basic functions are limited to setting up the political strategy, to regulating the domain and elaborating the legislative framework as well as ensuring the legislation's compliance with the European norms. As a matter of fact, by Governmental Decree, every ministry had to regulate the latter activity by setting up a Secretary of State's Office within the ministry.

The ministry is the one that administrates the budgetary funds. It is the ministry that decides the programs the National Employment Agency will apply, and also it checks the way they are put into practice. Therefore, it is in charge with all the activities this controlling involves: sets up the programs, draws up the laws, accredits the local branches of the agencies, checks up how the agency's budget is administered, elaborates the system of wage adjusting in the public domain.

As far as the pensions and the social security are concerned, the ministry's activity is similar: it elaborates the program and the laws necessary to the activity of the The National Social Insurance House, which puts them into practice. The ministry controls how the budget is administered according to reports of budgetary administration and how the pension system is implemented. The Labor and Social Solidarity Ministry is in charge with elaborating, controlling and applying the activity in the social security and family policies field. It also has to regulate and control the field of work relationships and labor safety. From this point of view, the ministry's staff chart reduced to 256 positions.

On the other hand, the two agencies' staff reaches several thousands persons, including those working in the local county branches. The ministry also coordinates the activity of the National Scientific Research Institute in the Labor and Social Security Field/Domain and the National Research-Development Institute of Labor Safety whose function is to draw up evaluations and prognoses, or expert research studies on the ministry's request.

### 3.2 The evaluating activity

The evaluating activity is, by its nature, a basic one. This is true especially with regard to the Employment Agency and The National Social Insurance House. Even so, within the ministry there is one single Division of strategy, social indices and IT, with 13 positions, half of which are dedicated to the ministry's software system administration. In fact, the division developed from a software and data administration department into one whose function is to gather statistic data and generally contribute in evaluating processes.

The exclusive evaluative function is quite recent. As a matter of fact, the division is monthly editing the ministry's Statistic Journal, comprising the main statistic evolution indices in the field, a working tool necessary to all the ministry's divisions or to the agencies the ministry coordinates. That is why the division is subordinated to the ministry's General Secretary, who gathers the demands from all the other divisions or agencies that want to contribute with information. But the division's function is to contribute to the evaluations written out by each division apart or, more precisely, to provide the initial evaluation data.

The ministry intends to develop the Division of strategy, social indices and IT precisely for involving the latter more in the evaluating processes. Moreover, under the programs the Government is discussing with the World Bank, there is a consultancy project for setting up this division and for strengthening its strategy and evaluation component. The ministry officials are discussing two possibilities: whether the division should have a well-defined formal structure, with an extended staff chart, or the ministry should have a non-formal structure in charge with these processes of strategy and evaluation, made up by experts from the various divisions who would gather together around projects for long-term evaluations and strategies.

Within the ministry, the spokesperson's office affiliated to the press department is in charge with monitoring the feedback on the activities initiated by the ministry as mirrored in the media. Media monitoring addresses the Secretaries of State, the Minister or the interested divisions. There are daily and weekly synthetic reports of media monitoring. Sometimes, the management solicits that the division should monitor certain topics mirrored in the media (feedback on the social pact, on the unions actions etc).

#### *The Institutional Mechanism*

The ministry's activity is regulated by the government strategy, which is the political document stipulating the main guidelines and deadlines for the major activities. The ministry's management board, whose

chairman is the minister, sees that the respective guidelines and deadlines are respected.

The major changes, the important decisions are taken by consulting the management board or according to the report of a working group made up of experts from the ministry's various divisions. The mechanism of the legislative drafting supposes an indirect evaluation, as every report needs to be compliant with the European legislation in that domain as well as with that of the other international conventions Romania is signatory to. The European integration department' observations, which only had a consultative function so far, have received decisional power since the department was promoted to Secretary of State's Office.

A legislative change comes as a result whether to a political decision, or to the feedback on economic evolution that was statistically monitored by the specialized division within the ministry. This is the kind of activity that requires with the most time and the most numerous resources and starts with the initial evaluation of the data provided by the specialized division (wage increasing, dysfunction in the relationships with the social partners such as the unions etc). Any normative decision starts from an internal motivation that acts like an evaluation, whether it is an impact study or there are just a few simple indices without any further comments. Initiating a legislative change must specify as fundamental information the cost items it entails and identify them as such.

The Labor and Social Solidarity Ministry's whole budget is not earmarked for each program apart. As one of the ministries holding a large share in the budget's structure, there has not been a program deduction yet, even though the money necessary to the two autonomous agencies are specified as separate funds in the budget. The evaluation activity is required specifically and is mostly benefiting of separate budgetary funds, for each of the activities running under certain programs. These are the programs in collaboration with foreign partners - the World Bank or some national partner agencies. The program for connecting all the local branches of the Employment Agency to the internet in a national network that would enlarge the activity field, program run in collaboration with a foreign agency, required periodical evaluations, as stipulated in the written agreement signed by the two parties. In exchange, the activities that are not part of a financing program do not require specifically evaluations of their impact. The evaluations are rather optional than compulsory. In general terms, the ministerial employees are responsible for the formal monitoring of the activity, of the projects evolution even if this is not specified in the normative decision that regulates the activity (law, governmental decree, governmental ordinance, internal regulations). This monitoring is carried out by each division for every one of its

activities, employing data such as social indices provided by the specialized division, consultancy/assistance from other divisions, but most of all its own evaluations. That is the reason why the evaluations are rather formally highlighting the fact that the activity has or had certain measurable results. Most of the times the activity does not close on a cost-profit evaluation or one of public policy strategy.

The Employment and Professional Training makes its own evaluations based on the performance indices, it sets by itself within the Administration Board. Thus, even though it is the Ministry that decides the Agency's budget, the former makes no direct evaluation according to some clear criteria. The ministry sets the political guidelines and the budget while the "intermediary" evaluation is made informally, as the Agency's president is Secretary of State within the ministry, member of the ministry's Management Board. If the need of legislative changes or amendments to the governmental decrees is felt due to the evaluations, the agency's president brings the issue forward to the Minister while the latter distributes it whether to the Secretary of State or to the specialized division that performs the required changes. In order to come into effect, the new regulations follow the reverse path. From the division or divisions concerned to the minister, gathering on the way recommendations of all those involved in the elaborating process. As far as a legislative change is concerned, the law draft is endorsed by the minister and then goes to the Government, according to the joint responsibility principle.

The agency's system of initial evaluation may have some achievements as well. As a result to feedback on how many people were re-employed after having taken professional training courses, it was noticed that only an average 4% had found working places according to their new training over the last year. The result entailed an internal decision of the Agency, endorsed by the ministry, to stop financing the professional training courses. This measure is considered an achievement within the ministry, but they do not discuss a mechanism that would ensure for such decisions not to well-defined performance indices from the starting point (minimal number of persons re-employed according to the new training, cost evaluation). The decision was taken based on the statistical reports, but did not trigger a report for failure evaluation.

### 3.3 Conclusions and recommendations

1. The Division of strategy, social indices and IT should be developed towards a division bound to make evaluations, whether as a result to the project of consultancy and staff training in collaboration with the World Bank, or as an initiative of the ministry itself.

2. Introducing as compulsory the periodical evaluating processes since the programs are set up, on the pattern of the international programs that require these procedures. A political decision should impose the evaluations as standard procedure within the ministry.

3. The observation reports and the long-term and medium-term strategy plans should be compulsory to avoid the need to regulate the domain in emergency cases. For instance, the status of the persons laid off was regulated just by a series of ordinances and amendments to the latter, and no coherent strategy (Governmental Ordinance OUG 9/1997 on certain measures of protecting the persons who are going to be dismissed due to mass lay-off, amended by OUG 52/1998; OUG 22/1997 for the mining industry, amended by OUG 68/1998, OUG 7/1998 for the military; OUG 69/1998 for SNCFR (Romanian National Rail Company) personnel; OUG 36/1998 for power industry personnel; OUG 100/1999 for the military; OUG 146/1999 for the metallurgical industry personnel; OUG 98/1999 for modifying the entire legislative framework, amended by OUG 185/1999, OUG 77/2000 and OUG 98/2000!)

4. The ministry should also settle, once it establishes the budgetary funds, the performance indices for each of its divisions as well as for the autonomous agencies.

5. The monitoring should be carried out by a different division than the one that is also implementing the program for implicit subjectivity to be avoided.

6 The minister's responsibilities should be reduced, as it is the only person who intermediates between the ministry's divisions and the autonomous agencies. Thus, evaluating the activities of these institutions would entail more efficient legislative or internal changes that were proven necessary.

#### **4. Evaluation Within the Education and Research Ministry.**

The Governmental Decree 23/ 2001 (GD) led to the ministry's reorganizing by making the research department part of the education ministry. As a new initiative, the GD has mainly focused on regulating this new domain since the education domain is considered at least from this perspective to be regulated. The education remains coordinated by two Secretary of State's Offices, each of them in charge with different departments - secondary and academic education, which share various administrative and financial divisions. The ministry directly coordinates or collaborates with a series of consultative councils that have to evaluate the educational policies.

#### 4.1 The functions and the organization of the ministry.

The ministry's function is complex, since it is managing the activity of over 350,000 employees. From this perspective as well as a result to the specificity of the education activity, the evaluations are the most important responsibilities of the ministry's central unit. Thus, the ministry's function is to elaborate the strategy and to implement the policies; also, through prognosis, planning, monitoring and resource evaluation to control the way the educational policies are put into practice. There are some consultative councils with a role for the evaluation process as such: national Council for Educational Reform, National Council for University Financing, National Board for , National Council for School Financing

The ministry is also centralizing a series of data and evaluation research provided by: Center for University Financing and University Education Research, National Services for Evaluation and Examination, Center for professional development "Leonardo da Vinci" National Agency "

#### 4.2 The evaluation activity

As this is a giant institution, with over 27,000 education centers and 500,000 teachers, one of the main problems the ministry confronts is conveying/forwarding the information in the nick of time as well as implementing changes and programs altogether with gathering feedback information. As a matter of fact the ministry's main channel for communicating with the subordinated institutions are the media, since the ministry's local branches aren't able to cope with the informational flux on time. That is why, heads of various local branches have heard from the media of the strategic changes, of the new programs to be implemented, either programs specifying the subject matters to be taught or social programs related to education. The ministry has tried editing an informative Journal. For the moment, the journals the ministry has begun editing do not have a well-defined periodicity, they only contain the internal documents of the ministry and have a limited circulation (1400 copies), unable to comply with the huge demand. Moreover, its distribution is difficult and delayed including within its own network. The problems begin with the lack of a budgetary source, well-defined from the very start, for this activity. Therefore, it often happens that the president of some university has to find out from the media about decisions affecting the university he is leading. For coordinating this department for communication and feedback monitoring, there is a public relations and communication division, subordinated to the ministry's General Secretary Office, which has been employing 5 people since 1997, its main activity is to establish communication channels with the local institutions subordinated to the ministry by means of the media and to simply perform a

press monitoring of the feedback for a possible subsequent evaluation activity. Since other alternative methods have not imposed themselves (informational transfer through the internet or other information networks) the messages in the press from the ministry to the institutions or the other way round remain the main communication channel. In the department there is an attempt of putting into practice a program of monitoring and content analysis based on an algorithm of the messages taken from or received through the media. The project may offer an evaluation of the way messages are perceived in the media, so that the ministry's strategic message should not be distorted in its way to the receiver, as well as an evaluation of the social impact of structural changes and processes ongoing in the education. Without such an evaluation that would allow correcting on the way the information or the form, especially for deep structure changes, it happens for the reform measures to be perceived as foreign through the media by the educational system. Such a situation triggered a defense reaction from the union leaders by initiating numerous strikes, mostly due to the confusion or the lack of accuracy of the message received from the ministry.

#### 4,3 The institutional mechanism.

There's a significant difference between the ways of evaluating the academic education as compared to the secondary one. If in the former case evaluation is more de-centralized due to the universities' autonomy and the education's general effects are rather evaluated through a consultative mechanism based on programs, as far as secondary education is concerned evaluation and monitoring is more dedicated and related rather to the current/ongoing activities. Within the academic education, the programs benefiting of international financing are monitored according to the contracts either directly by the ministry or through certain agencies. The main mechanism when discussing the global policies is a consultative one, which gathers together the board of presidents in general or and the ministry management. These meetings hold a certain regularity and, even though not always concluded with a formal document, they suppose an on the spot evaluation of the decisions the minister took regarding that domain. When the information lacks and the formal evaluations need a longer period of time, this mechanism functions with a certain proved efficiency (this is the case of university presidents' feedback on the ministry's initiative to limit the number of students paying annual fees at the universities or on the initiative to create technological campuses around the technical universities for extra financial sources). As the function of the Secretary of State's Office in charge with the academic education is limited by the universities' autonomy, by the elaboration of some rather vague strategies mostly in response to the occasional crises (an activity



that takes in fact the entire time of the central department) evaluating the academic education remains first of all the responsibility of each university, while the general conclusions are to be drawn by the board of presidents, except for programs such as Phare, Socrates etc, which are coordinated, financed and evaluated by separate agencies.

For the educational process the evaluation has a special meaning. First of all it implies a mechanism of establishing the results of the educational process, therefore of the school activity. As far as our analysis is concerned, this is not the domain of interest. We might perhaps take interest in the way results of this evaluation will influence the decisions at a very general level, or the structural programs with social impact. Within the ministry the division using this information for evaluations and prognoses is part of the Secretary of State's Office for the secondary education. The General Division of Evaluation, Prognosis and Development received explicitly the evaluating responsibility only due to the last restructuring process. But the division imposed that the term "evaluation" should be adopted, because this kind of activity was one of its constant functions. First of all, a measuring evaluation is concerned. It is the kind of evaluation coming after the baccalaureate or the final exam when graduating from primary school: based on numerical criteria, it aims at statistically measuring the situation. Moreover, the division has as a function to make institutional evaluations, with an emphasis on evaluation of the human resources, of the professional and managerial training. These are the basis of the education programs and for allotting the budgetary funds to the secondary loan operators and are performed in collaboration with or by employing data and information provide by the National Service for Evaluation and Examinations (which gives quality and quantity information about the educational performances). From another perspective, it offers information about the institutions subordinated to the ministry, of the managerial performances of the local branches. There are also evaluation files on the professional performances and in the same time it is intended that they became part of the management contracts for the persons in leading positions.

Two deputy directors as well as a technical secretary office are subordinated to the general manager. Every deputy director coordinates two structures. The service/department for school network and institutional programs performs the following kinds of activities: monitoring the school network, writing down the education plan, statistical syntheses, institutional programs, school methodology and civil protection. The department writes down the statistic balance on the pupils' circulation in the educational system, data related to the current infrastructure or to the teachers' vacancy. Hence the school attendance figures on which the budget is based. The division is also in charge with elaborating logistic

solutions for the organization of the educational process when the data periodically provided by the local branches show these changes are necessary. Also the division must support logistically the changes brought about by the new education policies (such as transferring by 2003 the ninth grade from the high school to the compulsory primary school, which implies evaluating the logistics and the teachers necessary to this gradual transfer process). The function of the Department for institutional [programs and professional development is to settle the standards of professional evaluation, to control the centers of psychological-pedagogical assistance and of supervising and evaluating the social programs for the rural education. This department holds an important social function by involving in extra school activities such as the centers of psychological-pedagogy (for the relationship pupil-parents) and the teachers' resource centers.

Even though it benefits of a database allowing to draw long-term strategies and to monitor the latter's evolution, the ministry is still punctually reacting to problems through a stimulus-response kind of mechanism. This is why, even when the feedback becomes well known, it still requires an answer which is urgent and does not allow for it to be used for a subsequent evaluation. There is also a department focused on financing issues, in charge with the private and alternative education, with the institutional financing and check-ups, as well as a department of management and institutional resources for schools, whose function is to evaluate the management problems and to train these managerial resources within the local branches.

The ministry's normative decisions settle the evaluating activity as compulsory, concerning either the educational policies or the subordinated institutions and the employees. Due to the problem typology, the latter kind of evaluation is prevailing.

#### 4.4 Conclusions and recommendations

1. The ministry should pass the stage when most of the analyses are retrospectively written down through a stimulus-response kind of reaction to problems. The ministry should set this long-term goal even though this means personnel increasing within its headquarters that would be able to monitor and put into practice the pre-set program in crisis situations too, when this doesn't modify the basic structures of the program. 2
2. The mechanism of communication and implicitly of feedback monitoring should be improved so that the employees should not see the changes as foreign to the system. This implies perfecting a mechanism of periodical consulting with the involved factors, including at the local level and especially employing the reactions as feedback. Thus it is recommended

that the communication department be supported and strengthened to collect and provide the feedback to the specialized divisions

3. A mechanism of evaluating the faculties or universities should be settled - a project under discussions in the presidents' board - which would transform the academic evaluation in a permanent and active process. This project would also allow for the evaluations' results to be used when funds obtaining depends on them. This function could be one of the responsibilities of the Academic Evaluation Board.
4. This kind of evaluation should be extended at the secondary and primary education level too as a main financing mechanism which would supplement the per capitas system. This would imply increasing the responsibilities of the evaluation division, which would deal with the evaluations at a central level, not a local one in order to keep the evaluation criteria homogeneous.

### **III HOW IT SHOULD WORK. EVALUATION MODELS FOR ROMANIA'S SOCIAL POLICY: THE ECONOMIC PERSPECTIVE**

#### *Introduction*

In this last part of our paper let me look at both the institutional set-ups and the evaluation techniques used in the field of social and labour market policy in North America and Western Europe and to formulate some conclusions for institutionalising social policy evaluation in Romania.

To this end, the chapter is organised as follows. The first part presents a brief genealogy of the evaluation cultures in the last thirty years from an economical perspective, i.e. by emphasising the interrelation of evaluation practices, prevailing ideologies and changing paradigms in economics. The second part generally describes the organisation of social and labour market evaluation in North America. The case of evaluation in Western Europe is the topic of the third part, which looks at experiences with evaluating labour market policy measures in Germany and Austria. The analysis turns to the Romanian perspective on social policy evaluation by drawing possible conclusions from the evaluation of the Austrian Steel Foundation, a redundancy-retraining project. The final part summarises the lessons drawn from the described models and their relevance for designing an institutional framework for social policy evaluation and advice in Romania.

The innovative momentum of the paper is our argumentation, applied for Romania's social policy, that there is a tremendous need for institutionalising - besides the ministeries departaments previously presented (Chapter 2) - an external evaluation instance for both ex-ante

and ex-post evaluation missions. Without this, the economic rationality will be unable to prevail over political logic, the evaluation practice will necessarily turn into a bureaucratic ritual and eventually have to be abandoned. We argue that recent social policy making and evaluation in Romania perfectly illustrates this case by being subject of power relations and deeply under the influence of the political cycle. Therefore, we outline why, in the context of the Romanian social policy, the transition to a culture of program evaluation should be hastened through a new organisational set-up which will provide new incentives for rigorous scientific standards both in the case of commissioned and of non-commissioned evaluations.

### **1. Economic Rationality and the Transition to a Culture of Evaluation**

Politicians want to be right, but economists want to be right for the right reason. This is why, while there might be big controversy in the political sphere, one might expect some consensus in the economic discourse on the methods for and reliability of social policy evaluations. Studies analysing the making and the use of evaluation research<sup>21</sup> show that this is not the case. The same arguments stemming from economic theory could be applied by evaluators in different contexts and lead to opposing outcomes, in favour or against the efficiency of the evaluated program. Moreover, arguing from the perspective of Public Choice Theory<sup>22</sup>, it is likely that methods and results of commissioned evaluations are distorted by being biased towards a favourable result.

The concepts and practice of evaluation as a source for civil society rapidly gain ground in North America as well as in Europe: "An emphasis on objective publicly accessible evaluations is a distinctive feature of the modern state, especially in an era of limited funds and public demands for accountability." (Heckmann et al. 1999). The modern "industries" of policy evaluation have their sources in the United States, in the early 1970s - the period when the *Planning-Programming-Budgeting-System* was established. To put it simple, in economic terms this period marked the beginning of a paradigm change - best illustrated in the *public finance debate* Musgrave vs. Buchanan - which lead eventually to a shift from a vision dominated by *market failure* to one based on the failures of government: *policy failure*. This last vision builds also the framework of the newer attempts to modernise the public administration and to reform the welfare state. All these are actually based on models that try to simulate the market mechanism in the process of public policy decision making (*New Public*

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<sup>21</sup> See Henry (2000) for a literature review.

<sup>22</sup> e.g. Mann (2000).

Management, Contract Management, etc.)<sup>23</sup>. The analysis and evaluation of social policy was for a long time of scarce interest in the literature on economic theory<sup>24</sup>. This came to a halt in the 1960s when economic analysis began providing help to understand and design the welfare state. In this period, in the U.S., Mancur Olson<sup>25</sup> strongly argued for establishing a social report which should be an equivalent to the Economic Report that the Council of Economic Advisers yearly presents to the US president.

The basic idea of the social report was that there is a need for assessing the social implications of policy interventions and to provide a rigorous framework for organising the practical evaluation research. This also helps to recognise and quantify the way in which social implications of policy affects key decisions and identifies economically relevant institutional features.

## 2. A Political Economy of Social and Labour Market Policy Evaluation in North America

Institutional arrangements and funding for evaluation research in the U.S. have been evolving and changing during the last half of the 20th century. Evaluations have been funded and implemented by both private and public sector organisations. In addition in the U.S. the for-profit sector has contributed to evaluation of social welfare programs. For stylising a market model for both commissioned and non-commissioned policy evaluation we distinguish between a supply side (who are the organisations who perform most of the evaluation work?) and a demand side (who pays for program evaluations?).

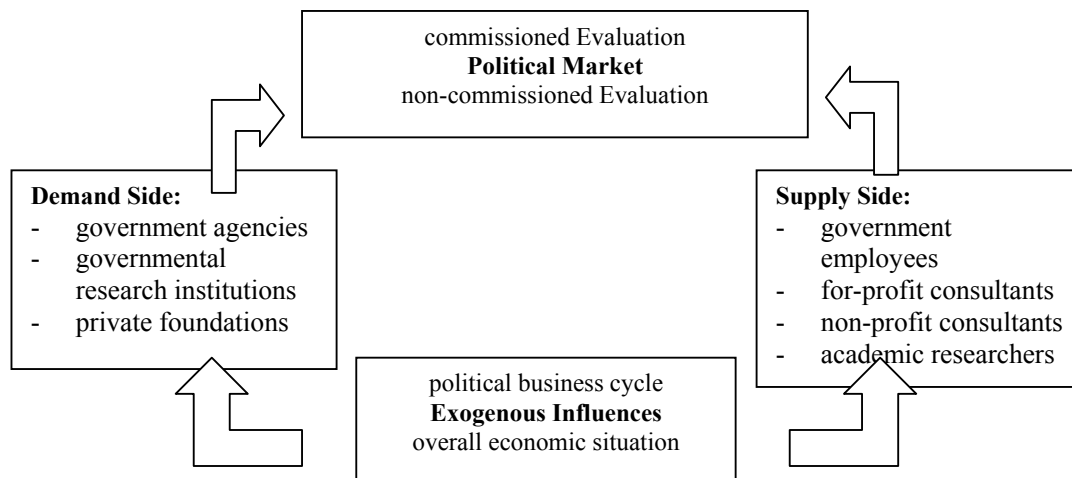


Figure: The political market for program evaluation

Source: own presentation, drawing on: Frey, Kirchgässner 1994, Ch. 13,

<sup>23</sup> New Zealand is the striking example of such reforms.

<sup>24</sup> Atkinson 1999.

*Mann 2000 and Downs 1965*

### 2.1. Categories on the Supply Side: Who Are the Evaluators?

On the supply side of the political market for program evaluations in the U.S. four main groups could be categorised<sup>26</sup>:

- government employees,
- for-profit consulting firms,
- non-profit consulting firms,
- academic researchers.

Both the advantages and disadvantages of "in-house" evaluation performed by the first group, of government employees, are straightforward. The advantages are that the staff is very familiar with the programs and the operating agency as well as with the sources and nature of data collected for the evaluation. This kind of evaluation can also be easily controlled and closely monitored. The main disadvantages are properly described in the Public Choice literature<sup>27</sup>: distorted information, incentives to maximise the total and the discretionary budget ("slack-budget") of the agency<sup>28</sup>, etc... All these contribute to the view of "in-house" evaluation as a mean to increase the bureaucrats utility, which might be his hidden strategy of commissioning evaluations - in case that an evaluation of a program under his supervision is not obligatory.

To the second group, of for-profit consulting firms, belongs a great variety of corporations, ranging from those purely concerned with empirical and evaluation studies (such as MATHEMATICA or WESTAT<sup>29</sup>) to large consulting firms with smaller departments doing evaluation work (such as Gross Gilroy). The for-profit evaluations are done generally in a professional way. Using the lenses of Principal-Agent theory one can allege that, if the same firm (Agent) repeatedly evaluates the same governmental agency (Principal), incentive problems might arise if the agency rewards positive evaluation. This will be particularly the case when the agency plays an important role for the firm's business plan.

As a conclusion one can state that there is a tendency of collaboration between these diverse groups of evaluators. The common practice, at least for large-scale evaluations, tends to be that of evaluations contracted from the government and then subcontracted with

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<sup>25</sup> Mancur Olson et al.: *Towards A Social Report*, Washington, D.C.: U.S. Government Printing Office, 1969

<sup>26</sup> Smith (2000), pp. 346-47.

<sup>27</sup> See Mann (2000) for a brief overview and Downs (1967), Frey, Kirchgässner (1998), Kirsch, Mackscheid (1985) for public choice models of bureaucratic behaviour.

<sup>28</sup> The rational for this is that income, power, prestige are functions of budget size.

<sup>29</sup> Insights on their research agenda and evaluation methodology could be obtained from their homepages: MATHEMATICA POLICY RESEARCH Inc.: [www.mathematica-mpr.com](http://www.mathematica-mpr.com); WESTAT: [www.westat.com](http://www.westat.com).

academic researchers<sup>30</sup>. This mixture could offer the possibility of combining the virtues and eliminating some of the weaknesses of the single-performed evaluations.

## 2.2 The Demand Side: Who Pays the Evaluations?

The sources of funding policy evaluations in North America are threefold, i.e. three different types of organisations are paying for evaluations and act thus on the demand side:

- government (both state and federal) agencies
- governmental research organisations
- private foundations.

The government agencies - which usually also run the program to be evaluated - are the major sources of funding. Social and labour market programs are often evaluated both at the federal and state level. This programs also tend to be run jointly by the federal government and the states or provinces in both the U.S. and Canada.

The second source of evaluation funding, the governmental research organisations, are separated bodies from the agencies that run the program. A prominent example is the U.S. National Science Foundation (NSF). Usually the NSF, like most of these governmental research institutions - tends to sponsor methodological research. But in the context of social policy and program evaluation, this methodological research has a practical nature and immediate and important implications.<sup>31</sup> The methodological research done by the 2000 Nobel Prize Laureate in Economics, James Heckman, on the sources of selection bias in social programs evaluation (*Heckman et al. 1996*) and on the alternative methods of estimating the impact of social programs (*Heckman, Smith 2000*) belongs to the category of fundamental studies with practical and immediate policy implications sponsored by the NSF.

The third source of funding are private foundations. Unlike the European countries private foundations have played an important role in U.S. evaluation research. Some of the evaluations supported by private foundations follow an interest in the expansion of specific types of programs - derived from the aims of the foundations - and the evaluation record will provide evidence that supports the development of these programs.

The existence of both public and private sources of funding evaluation work, and especially of sources not tied with the agency that operate the program is essential for providing credible views about program efficacy.

## 2.3 Issues of Control: Who Evaluates the Evaluators?

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<sup>30</sup> See *Smith 2000* for details.

<sup>31</sup> For the place of social programs evaluation in-between science and politics, see *DIW (2000)* and *Wyplosz (1998)*.

From the point of view of the practitioner, the question of quality control for policy evaluation – *Do evaluators ask the right questions and use the proper methodology for answering them?* – is twofold. On the one side there is an information or knowledge problem: How does one know whether the evaluation is good or poor? On the other side, the already mentioned incentives problem will be: What could work against the incentives to bias the results of an evaluation in favour of the program being evaluated?

We identify two main lines of quality control for social policy evaluation<sup>32</sup>: the first through the standards imposed by the government (the agency that commissions and eventually will make use of the results from the evaluation) and second, the standards imposed by the scientific community.

The North American experience shows (*Smith 2000, pp. 347-8*) that the presence of trained staff with sufficient expertise to co-design, follow and evaluate the evaluation enormously improves the quality and policy value of the evaluations.

In his analysis of labour market policy evaluations in North America *Smith (2000)* shows also the two ways in which the academic world also plays important roles in the process of evaluating the evaluations. On the one side, academics are asked to review the evaluation work done by consulting firms on behalf of an agency. On the other side, most of the evaluators are trained in academia and thus carry with them in their work the values they inherit there – which “act as an internal quality control mechanism”. (*Smith 2000, 347*).

At this place one first conclusion is to be drawn for the search of evaluations models for Romania. Namely, the importance for policy makers to realise why any serious evaluation effort has to follow a set of standards well-accepted in the scientific community – the strict reliance on evidence, a sound selection of data sources, searching the sources for possible errors as well as the standard of publicity – and that it cannot be done “in-house as an addendum to the usual accounting procedures” (*Schmidt 1999, p.3*)<sup>33</sup>. In Romania, as in other countries with scarce tradition of independent scientific evaluation, most of the conclusions on the efficacy and efficiency of social policy measures are left unsupported by any empirical evidence.

### 3. Labour Market and Social Policy Evaluation in Western Europe

<sup>32</sup> We draw our conclusions mainly from *Smith 2000: “Evaluation aktiver Arbeitsmarktpolitik: Erfahrungen aus Nordamerika”* and *Schmidt 1999: “Knowing What Works: The Case for Rigorous Program Evaluation”*.

<sup>33</sup> See also the critics of commissioned evaluations from Public Choice perspective done by *Mann (2000)*.



Program evaluation was born in the U.S. and was imported in the 1970s in most northern European countries. Many of the agencies, units or commissions created to carry out policy analysis "had an inter-ministerial scope and they clearly aimed at introducing some scientific rationality in the budgetary process" (Toulemonde 2000, p.351). Most of the countries that adopted the evaluation methods based on the U.S. model of *Planning-Programming-Budgeting-System* have gone beyond it or abandoned it. Afterwards, the practice of social policy evaluation developed differently in the EU-countries: under diverse external and internal influences and in varying proportions from country to country.

Since active labour market policies (ALMPs) are an integral part of labour market policies of the transition countries in Eastern Europe we will limit our observation on policy evaluations to this field.

In the political debates labour market policies to reduce unemployment rates remain a top priority in Europe: in most countries unemployment rates are high and show little sign of falling. In different countries, a large number and wide variety of policies have been implemented. Moreover, a new drive followed the Luxembourg Job Summit of November 1997, which proposed targets for EU member countries in terms of participants in various training programmes. In view of the large costs of operating these programmes it is regarded as important that sound research should be conducted in the field of policy evaluation to provide a framework for identifying best practices within the current political room of manoeuvre.

### 3.1. Social and Labour Market Policy Evaluation in Germany

#### *3.1.1. The Institutional Framework*

In contrast to the U.S. institutional setting of policy evaluation - which is dominated by a great variety of private funded independent research institutes, the so called think tanks<sup>34</sup> - in Germany the evaluation landscape is dominated by mostly public funded research institutes. This research institutes do primarily contract work for different ministries - both on the state and on the federal level. The evaluation work they do refers to the impact of national policies as well as to specific policy interventions and local programs.

The framework for all the evaluation research in the fields of economic and social policy in Germany is build by the annual evaluation report of the "six big economic research institutes" and by the report of the German Council for Economic Advice. The two annual reports are very

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<sup>34</sup> For a good analysis of the role of *think tanks* in the U.S. in comparison with Germany, see Cassel (2000).

often the most quoted documents in the political debates on social policy<sup>35</sup> or for supporting (or not) the implementation of different programs for the labour market or social security.

Both of these reports are commissioned by the federal government. The "big six" research institutes<sup>36</sup> are on the so called "blue list" of research and evaluation institutions, which means that their funding is provided by the states and by the federal government jointly.

<b>Actors on the Demand Side</b>	<b>Actors on the Supply Side</b>
Federal Government	Governmental Agencies
State Government	Research Institutes (mostly public funded)
National Foundations	Consulting firms
Private Foundations	Academics

For specific policy interventions and local social programs, two more institutions could also be named: the *Centre for European Economic Research* in Mannheim (with commissioned evaluations in the fields of social security and active labour market policies, see also 3.1.2.) and the *Institute for the Study of Labour* in Bonn (member in the European Research Network on Evaluation of Labour Market Policy and Projects)<sup>37</sup>.

In Germany, on the supply side of the market for public policy evaluation, the academic community also plays an important role for developing an evaluation methodology, praxis and culture. Most of the evaluation work done in academia is funded indirectly (*Drittmittelforschung*) - not through the University's budget- by public institutions (federal government, national foundations, local authorities) or by private organisations (private foundations).

Another specificity of program evaluations and policy advice in Germany are the so called experts surveys or questioning (*Expertenbefragung*)<sup>38</sup> practised especially by the Federal Ministry of Labour and Social Affairs. These are interviews with an iterative character utilised as a "soft procedure" in the ongoing evaluation of specific programs. Their role for program implementation and policy analysis resides in:

<sup>35</sup> As is currently the case with debating the public pensions and retirement system's reform.

<sup>36</sup> German Institute of Economic Research ([www.diw.de](http://www.diw.de)); Kiel Institute for World Economics ([www.uni-kiel.de/ifw](http://www.uni-kiel.de/ifw)), Hamburg Institute of International Economics ([www.hwwa.de](http://www.hwwa.de)), Halle Institute for Economic Research ([www.iwh.uni-halle.de](http://www.iwh.uni-halle.de)), Ifo - Munich ([www.ifo.de](http://www.ifo.de)), RWI-Essen ([www.rwi-essen.de](http://www.rwi-essen.de)).

<sup>37</sup> Some of the research outcomes are available online: ([www.zew.de](http://www.zew.de)) and ([www.iza.org](http://www.iza.org)).

<sup>38</sup> For a competent survey on this practice in social and labour market interventions: *Brinkmann et al., Eds., (1995)*.

- acquiring information in fields with a lack of transparency and expertise,
- building policy networks with(in) the scientific community,
- providing arguments for a discursive validation of policy interventions.

On the demand side, besides the governmental sources of funding (local, state, federal) national and private foundations are increasingly promoting independent evaluation research on social and labour market programs, as well as on different attempts of privatising social services.

The *German Research Foundation* (DFG)<sup>39</sup> is the central public funding organisation for academic research in Germany - and could be regarded as the German counterpart of the National Research Foundation. Striking examples of private foundations which support evaluation work on public policies are the Volkswagen-Stiftung or the new program of the Bertelsmann Foundation on Performance Comparison in Public Administration<sup>40</sup>.

As stated above (3.), due to the great re-allocation of labour during the transition, active labour market policies (*ALMPs*) are an integral part of labour market policies in Eastern European countries. This is why we choose to look at two experiences with evaluating policy interventions in this field: the evaluation of *ALMPs* in East Germany and the case of evaluating the *Austrian Steel Foundation* (Stahlstiftung). Given the purpose of our paper, we will give only a very brief overview of these two policy treatments. Since their diverse evaluations fit into the institutional framework previously described (3.1.1) we will look only at the methodological practices. From this point of view, the two selected programs might deliver some insights for evaluation practitioners involved in the implementation of comparable policy interventions in Romania - on the suitable choice of methods, data, causal links.

### *3.1.2. Active Labour Market Policies in East Germany- Some Insights from Evaluations*

Without using the lenses of a normative analysis on the possibility of *ALMPs*, the aim is to present some structured thoughts and some sources of available literature which should be useful for further evaluation research in Romania.

One of the striking models of evaluating interventions in the labour market for Romania could be the evaluation of German *ALMPs*, i.e. the use of job creation and training programs following the German unification.

Active labour market policies are intended to assist unemployed individuals in finding work and to make the labour market as a whole

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<sup>39</sup> Deutsche Forschungsgemeinschaft ([www.dfg.de](http://www.dfg.de)).

function more effectively. *ALMP* programs in Germany included employment training, job-search assistance and employment subsidies to direct job creation. The legislative mandate of these initiatives is to be sought in the *Arbeitsförderungsgesetz* (AFG). The most important element of the AFG are *Arbeitsbeschaffungsmaßnahmen* (ABMs), measures that try to create directly employment that serves the public interest while providing the long-term unemployed with training and labour market experience. Such programs were widely used in Germany in the early 1980s to address the issue of unemployment resulting from regional economic restructuring (e.g., the mining region of the Ruhr Valley).

The central research question of evaluating these programs is: "Do these treatments reduce unemployment or provide only a new vehicle for delivering unemployment benefits?"

The pragmatic lesson to be learned from these evaluations - of particularly relevance in Romania also - is the importance of taking the political environment into account in designing the evaluation scheme. The inability to persuade the political actors of the importance of the evaluation severely compromises its outcome. (*Hübler 1997, Schmidt 1999*). An important lesson to policy makers and researcher alike regards the insights on the functioning of the labour market mechanisms in the low-wage sector and on an appropriate selection of a behavioural model of decision making for both labour demand and supply . Understanding this mechanism will deeply influence the impact of ALMPs. (*Hübler 2000*)

Finally, the German studies on program evaluation deliver models to solve the difficulties of inferring from experimental results on real-world implementations. (*Schmidt 2000a, 2000b*) They are thus models for dealing with experimental and non-experimental data and for appropriately using observational approaches in Romania. (*Schmidt 1999, p.39*)

### 3.2. The Austrian Steel Foundation - An Evaluation Model?

Relevant knowledge for the design of scientifically sound program evaluation could be gained by comparing the evaluation of two redundancy-retraining programs: the Austrian Steel Foundation and the reconversion program of the formerly redundant in the Jiu Valley in Romania. (*Winter-Ebmer 2001, Chiribuca et. al 2000, Boboc 2000*)

The Austrian Steel Foundation (*Stahlstiftung*) is a highly innovative training program in its content and financing and could serve as a model for the Romanian case both with respect to the specificity and dimensions of re-structuring nationalised industries<sup>41</sup> and to the rigid labour relations and the lack of labour mobility.

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<sup>40</sup> ([www.leistungsvergleich.de](http://www.leistungsvergleich.de)).

<sup>41</sup> In the aftermath of World War 2 the Austrian steel industry was nationalised. See *Winter-Ebmer, p.4 ff*

The Romanian program was economically and socially a failure whilst the *Stahlstiftung* was basically a rather successful project. Contrasting the features of the two programs in the way they are respectively reflected in evaluations (*Winter-Ebmner vs. Chiribuca et. al*) shed some new light on the importance of two aspects that should be considered in designing program evaluations: (i) specifying what type of market failure justifies the policy interventions and (ii) the weaknesses of evaluations understood as simple process analysis: hypothetical comparisons of ex-ante and ex-post situations. (*Schmidt 1999, p.37*)

#### 4. Conclusions for Romania's Social Policy Evaluation - A Transaction Costs Approach?

Several relevant lessons are to be learned from these evaluation studies and questioned if they could be imported to the Romanian evaluation practice.

The first set of lessons is practical: how to design a complex evaluation, how to use administrative data, to choose the sample and the outcome measures, how to assess the (opportunity) costs of the program and the causal links. (*Schmidt 1999, 2000a, 2000b*)

##### **Fundamental Elements of Evaluation Research\***

- (i) choice of the appropriate outcome measures
- (ii) assessment of the direct and indirect costs associated with the policy intervention
- (iii) attribution of effects to underlying causes

(\*) Source: own presentation drawing on *Schmidt 1999*

The second set of lessons is concerned with how to structure program evaluations to provide policy relevant information. Two questions are of primordial importance with regard to this: the issue of persuasion and credibility of the evaluation and, interconnected with this, the overall institutional framework in which the evaluation culture is established<sup>42</sup>. For the Romanian social policy making - characterised by etatism, centralism and corporatist tendencies<sup>43</sup> - a transaction cost perspective<sup>44</sup> offers a powerful tool for analysing how institutions evolved<sup>45</sup> in this controversial field in recent years. A transaction cost approach will help understand the organising of policy evaluation in a *rent-seeking* post-socialist system. The choice between "in-house" and external evaluation -

<sup>42</sup> *Toulemonde 2000, Kirsch, Mackscheid 1985, Downs 1966.*

<sup>43</sup> E.g. for this is the establishment (1997!) and the alleged role of *The Economic and Social Council* ([www.ces.ro](http://www.ces.ro)).

<sup>44</sup> *Dixit 1996.*

<sup>45</sup> *North 1990*

and by this the (un)biasedness of the evaluation - is to be regarded analogous to the choice between market and hierarchy. *Moral hazard* and *adverse selection* determine both the outcome of the program and of the program evaluation as well as the "customs" in the evaluation industry. (see also Ch.1 of our paper)

Without taking into account these fundamental questions of policy evaluation, the Romanian political debate will lack on evidence if social and labour market policy interventions are efficient tools for social betterment and for boosting employment or just another kind of political placebo.

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## **Annexe**

### **Interview to the Health Strategy Office**

1. Since when does this office exist? Since when does it perform evaluations?
2. What is the legal basis which regulates its activity?
3. Why was the institution created? Who initiated/created it?
4. What is the cycle of an initiative? Who initiates it? Who approves it? At what moment is the political approval called for? What is the role of evaluation? Who sends the programme to evaluation?
5. How often does the legislation change? What is the basis of these changes?
6. What type of evaluation do you perform? (post-factum, process, prognosis)
7. What methods do you use? (costs-benefits, process-indicators; outcome)
8. Please, give me several examples from the experience of the department.
9. What is going on: the feed-back. How is evaluation imbedded/taken into consideration in the decision process?
- 9a. Does anybody perform a periodical review of the programmes?
- 9b. Does anybody perform an analysis before creating a programme?
- 9c. Was there any case of a programme being shut down as a result of evaluation?
- 9d. Was there any case of a programme being changed as a result of evaluation?
10. Staff/resources. What training did the staff of this service get?
11. The position of the evaluation in the department: is evaluation compulsory or it only has an advisory role?
12. What percentage of the budget of the ministry is subject to evaluation?
13. Is the evaluation performed only at the national or also at the local level?
14. How is the evaluation for the international programmes done? Who performs it?